



Research Note – Ruiru- Kiambu County, Investment Opportunity

1 August 2018

Last year in November 2017, we wrote a [topical](#) on the investment opportunity in Ruiru, Kiambu County, in which we gave an overview of Ruiru, looked at factors driving real estate sector in the area as well as its performance as at November 2017. Developer returns averaged at 28.7%, with an average capital appreciation of 23.4% and average rental yields of 5.3%.

In this topical, we update those findings; we start with a brief overview of Ruiru, its recent developments, moving to market performance for both detached and apartments markets, and finally concluding with a recommendation on the investment opportunity. Capital appreciation in Ruiru, as per the [Cytonn Nairobi Metropolitan Area Land Report 2018](#), came in at 20.0%, with average rental yields of 5.7%, thus overall developer returns currently stand at 25.7%, a 3.0% points decline from 2016/2017. This is mainly attributable to a sluggish growth in the land sector; according to Cytonn Research, land appreciation in Ruiru came in at 2.2% p.a. in 2017, compared to 28.6% in 2016 which was a result of reduced speculation activity in 2017 following the protracted electioneering period.

However, Ruiru is notably highlighted as the fastest growing town in Kiambu County, after Ruaka, by the County Government of Kiambu. The area has particularly continued to attract real estate investment supported by (i) good transport links, which provide easy access to key business nodes such as Mombasa Road, Thika Road and the Nairobi Central Business District (CBD), and this is expected to improve further with the planned Mass Rapid Transit System, (ii) availability of development class land, which is relatively affordable compared to most Nairobi Suburbs, with an average price per acre of Kshs 19.7 mn, as at 2017, compared to areas like Ruaka where the average price per acre is Kshs 77.0 mn, per Cytonn Research, (iii) a vibrant economy especially of agro-based and industrial businesses which creates demand for dwelling units from the workers of these companies, and (iv) positive demographic profile with a government-estimated population of 299,067 as at 2017, which is a 5-year CAGR of 2.8% compared to the national average of 2.6% p.a.

Recent Developments:

- i. **Trunk Sewer;** Plans are in place for the construction of the Ruiru Sewerage Network set to be complete by 2019,
- ii. **Transportation System Improvements:** The National Government is keen on improving further the transportation systems in Ruiru, which is bound to enhance the real estate sector with (i) plans of revamping of the Ruiru - Githunguri Road, at a cost of Kshs 4.0 bn set to be complete by January 2019, (ii) the expansion of the Northern Bypass between Ruaka Trading Centre and Ruiru, a 31-Km stretch, which is underway with Sinohydro Limited, a Chinese state-owned hydropower engineering and construction firm, as the contractor (awarded in January 2018), and (iii) the dualling of the Eastern Bypass,
- iii. **Retail Developments:** Case in point, the Spur Mall at Kimbo, Ruiru and, the emerging supermarket chain, Quickmart , which recently set up shop along the Ruiru-Kamiti Road and the Eastern Bypass,

- iv. **Affordable Housing Initiative:** Ruiru was named as one of the towns in Kiambu County-in addition to Kikuyu, Juja, Thika, and Limuru- to spearhead the county’s affordable housing rent-to-own scheme where 19,500 units are set to be put up by 2022, and,
- v. **Face-Changing Developments:** These include, (i) commencement of the construction of Cytonn’s RiverRun Master planned development, which is bound to improve infrastructure in the immediate locality; (ii) other developments such as Tatu City which is ongoing and recently announced plans to put up a 23-acre affordable housing scheme dubbed Unity Homes, and (iii) other incoming developments such as Northlands City and CIC which plans to have a 200-acre mixed development along Ruiru-Kamiti Road, as well as Optiven’s recently launched Amani Ridge.

Market Performance:

We carried out a comparative performance analysis for Ruiru to gauge the investment opportunity, through the following key metrics:

- ❖ **Uptake:** Indicates the speed of sales and hence gives an estimate of the time taken by an investor to exist a project
- ❖ **Rental yield:** Indicates how fast an investor can get back the returns on their investment through rental income from the project
- ❖ **Capital appreciation:** This gauges the rate at which the property prices in an area increase or drop

Detached Units

Detached units performed relatively well with total returns of 11.7% p.a., and as per our recent [Nairobi Residential Report 2017/2018](#), Ruiru came in as one of the top 5 areas to invest in for detached units. On average, annual uptake came in at 23.6%, 1.0% points higher than the market average of 22.6%, indicating relatively high housing demand in Ruiru. With rental yields of 5.1% and a 6-year CAGR capital appreciation of 20.0%, developer returns currently stand at 25.1% while annual investor returns stand at 11.7% (rental yield of 5.1% and price appreciation of 6.7%).

The performance is as summarized below:

(All figures in Kshs unless stated otherwise)

Ruiru Detached Units Performance 2017/2018										
Typology	Average Unit Plinth Area (SQM)	Average Price 2017	Average Price 2018	Average Price Per SQM 2018	Average Rent 2018	Average Rent per SQM 2018	Average Annual Sales 2018(%)	Average Rental Yield 2018	Average Y/Y Price Appreciation 2018 (%)	Annual Total Returns 2018
3 BR	155.0	14.0m	15.0m	98,513.4	56,666.7	369.0	16.3%	4.6%	7.1%	11.8%
4 BR	194.0	16.1m	17.4m	86,976.1	63,000.0	294.5	31.0%	5.5%	6.2%	11.7%
Grand Average	174.5	15.1m	16.2m	92,745.8	56,833.3	355.5	23.6%	5.1%	6.7%	11.7%
<ul style="list-style-type: none"> • Three bedroom units recorded higher annual returns by a marginal 0.1% points, with a relatively high appreciation of 7.1% compared to four bedroom units which recorded an average increase of 6.2%. This is attributable to developments that recorded a price decline or stagnation, which could be attributed to their location in relation to the main roads • However, four bedroom units recorded higher rental yields of 5.5%, attributable to their relatively higher rental rates while some developments are more affordable in terms of price than a typical three bedroom 										

Source: Cytonn Research

Apartments

Apartments in Ruiru recorded total returns of 10.0%, on average, with 3-bedroom units recording higher returns at 10.3% compared to 2-bedroom units at 9.6%. Notably, apartments recorded relatively higher rental yields with an average of 6.3% compared to detached units with 5.1%, and the overall Ruiru market's average of 5.7%.

(All figures in Kshs unless stated otherwise)

Ruiru Apartments Market Performance 2017/2018										
Typology	Average Unit Plinth Area (SQM)	Average Price 2017	Average Price 2018	Average Price Per SQM 2018	Average Rent 2018	Average Rent per SQM 2018	Average Annual Sales 2018(%)	Average Rental Yield 2018	Average Y/Y Price Appreciation 2018 (%)	Annual Total Returns 2018
2 BR	88.0	7.9m	8.2m	92,679	43,333.3	492.0	19.0%	6.4%	3.3%	9.6%
3 BR	116.0	9.8m	10.2m	87,157.3	51,666.7	446.7	22.1%	6.2%	4.1%	10.3%
Grand Average	102.0	8.8m	9.2m	89,918.0	47,500.0	469.3	20.6%	6.3%	3.7%	10.0%
<ul style="list-style-type: none"> Three bedroom apartments recorded better returns with total returns of 10.3%, on average, compared to two bedroom units with 9.6%. This is due to the higher price appreciation rates for three bedroom units which came in at 4.1%, compared to two bedroom units' 3.3%, indicating investor demand for the former. 										

Source: Cytonn Research

Summary

(All figures in Kshs unless stated otherwise)

Ruiru Market Performance Summary 2017/2018								
Typology	Price Per SQM 2017	Price per SQM 2018	Rent Per SQM 2017	Rent per SQM 2018	Annual Sales (%) 2018	Rental Yield 2018	Y/Y Price Appreciation 2018	Annual Total Return 2018
Apartments	86,761.3	89,918.0	459.0	469.3	20.6%	6.3%	3.7%	10.0%
Detached	86,629.4	92,745.0	400.4	417.6	23.6%	5.1%	6.7%	11.7%
Average	86,695.3	91,331.5	429.7	443.5	22.1%	5.7%	5.2%	10.9%

Source: Cytonn Research

- The average price appreciation in Ruiru for a residential unit for 2017/2018 came in at 5.2%, 2.4% points higher than the market average of 2.8%,
- The area registered average rental yields of 5.7%, 0.3% points higher compared with the market average of 5.4%, and,
- Between apartments and detached units in Ruiru, detached units are a better investment opportunity given the higher uptake of 23.6% compared to apartments with 20.6%, as well as total returns of 11.7% on average compared to apartments with 10.0%.

Recommendation

For Ruiru's investment opportunity, we recommend detached units as they offer better investor returns, compared to apartments. As per the [Cytonn Nairobi Metropolitan Area Residential Report 2017/2018](#), Ruiru was ranked as one of the top 5 areas to invest in for detached units, attributable to continued infrastructural development providing easy access to key business nodes such as CBD and Mombasa Road, availability of development land, and good returns to investors while offering buyers a serene environment. Additionally, as individuals and firms seek to get away from the overcrowded Nairobi Suburbs, Ruiru has proved to be an ideal

satellite location to settle into as evidenced by masterplan projects such as Northlands City, Tatu City, and other upcoming developments.

Cytonn Real Estate's RiverRun Estates is an outstanding master-planned development covering 100- acres in Ruiru, Kiambu County. The project which was launched in June 2017, will comprise of 1,100 residential units, with prices for detached units ranging from Kshs 15.5 mn to Kshs 34.7 mn and will be complimented by social amenities that include a commercial center, a school, a water theme park, a riverfront boulevard and an ultra-modern hotel fronted by a beautiful dam. For more details on the Cytonn Riverrun project, visit the [project website](#).